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WRITTEN STATEMENT SUBMITTED BY

SERGE BELZILE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

QUEBEC RAILWAY CORPORATION INC.

TO THE

SURFACE TRANSPORTATION BOARD

DECISION

STB Ex Parte No. 582

PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

FEBRUARY 24, 2000

Background of Quebec Railway Corporation

Quebec Railway Corporation is the largest shortline railroad operator in Eastern Canada. The company is pursuing a unique growth strategy as a multimode freight transportation company. QRC combines marine, road and transloading services to facilitate and complement access to its railways. The company owns and operates a total of 838 miles of track located in the provinces of Ontario, Quebec and New Brunswick and a rail-ferry service operating in the St-Lawrence Gulf.

The company handles approximately 65,000 carloads per year generating revenues of $40,000,000. Most of our traffic is interlined and interchanged with CN. In excess of 50% of our outbound traffic is destined to the United States.

Service and value

The rail industry has increased its revenue ton-miles 36% between 1989 and 1998 while the freight revenue per ton-mile has decreased 30% in constant 1989 dollars. These statistics highlight the significant progress achieved by the industry. Capital expenditures' increase of 94% from 3.7 billion $ in 1989 to 7.2 billion $ in 1998 were required to achieve these productivity gains.

The key for the future health of the rail industry will be to attract new business to grow the revenues. The needs to improve the level of service and introduce new value-added services to our customers should be everyone's priority.

The CN-IC Merger

The traffic flow of outbound traffic destined to the United States is very sensitive to rail transportation service issues. While this segment of our business is growing with the NAFTA trade flows, we believe the CN-IC merger has helped our lines to grow their share of this market.

The ability to ship single line to destinations located on the IC has allowed us to recapture traffic that were previously shipped by trucks. Examples would be coated paper now shipped by rail to Dyersburg, TN, Covington, TN, Mattoon, IL, Memphis, TN, and Effingham, IL.

The overall quality of the transportation service offered to shippers and receivers has improved with reduced transit time. These efficiencies are beneficial to the American consumer by reducing the cost to acquire these products with rail rather than road transportation.

Downstream effects of the proposed CN/BNSF transaction

We foresee an extension of the CN-IC benefits with the proposed CN-BNSF transaction. The extension of the CN-IC network to access the shippers and receivers located west of the Mississippi will open up new opportunities to compete with the trucks that are transporting the products of our customers to those destinations.

Furthermore, the rail users located on these lines will gain single line access to new sources to diversify and increase the level of competition between vendors. An example would be the construction industry in the West that will gain access to the oriented stranded board manufactured in the East.

In evaluating the downstream effects of the proposed CN-BNSF transaction, the improvement of the overall service level and the introduction of value-added services such as door to door delivery by the new organization should be considered to be in the public interest. It would be to the benefit of all parties directly involved (shippers, receivers, shortlines, public interest) that the proposed CN-BNSF transaction be evaluated without delay.

Pro Competition

These merger transactions have to account for the benefits created for customers. In particular, these transactions have to improve or maintain the access to rail transportation at competitive prices for the customers.

The merger of two rail companies that were not in direct competition before the transaction will not weaken the level of competition within the industry as long as the transaction does not prevent a shipper or receiver to have the same access to a competing railway as it had before the transaction.

Our experience has been very positive with CN in this regard. When we completed the acquisition of the Ottawa Central Railway in December 1998, CN protected the competitive access for the customers located on the line at the same conditions as they were prior to the sale. This is in contrast to what has been done by another railway in Canada where the shippers lost all their competitive access to other railway after the sale of the line to a shortline organization.

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